

## Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 COME-00 STE-01 DOTE-00 STR-06  
AGRE-00 CEA-01 CIAE-00 DODE-00 FRB-03 H-01 INR-07  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00  
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02  
SOE-02 OMB-01 DOE-11 /100 W  
-----088568 070203Z /64

R 062127Z JAN 78  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 621

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E.O. 11652: N/A  
TAGS: ELTN, ECON, ETRD, VE  
SUBJECT: GOV VEHICLE IMPORT RESTRICTIONS: POTENTIAL IMPLICATIONS  
FOR THE ECONOMY

REF: CARACAS 0092

1. SOME ADDITIONAL FACTS ARE NOW AVAILABLE WHICH MAKE IT POSSIBLE  
TO MEASURE THE IMPLICATIONS FOR THE INTERNAL ECONOMY OF THE GOV TO  
MOVE TO RESTRICT VEHICLE IMPORTS (REFTEL).

2. INDUSTRY SOURCES HAVE ESTIMATED THAT APPROXIMATELY 25,000  
VEHICLES WERE IMPORTED DURING 1977, AT AN ESTIMATED COST OF  
\$263 MILLION. EMBASSY CONSIDERS THIS ESTIMATE TO BE MUCH MORE  
ACCURATE THAN THE \$650 MILLION FIGURE ATTRIBUTED TO FOREIGN TRADE  
INSTITUTE AND REPORTED IN REFTEL. THIS 25,000 UNIT FIGURE IS  
IN ADDITION TO THE ESTIMATED 175,000 VEHICLES ASSEMBLED IN  
VENEZUELA DURING 1977.

3. IN 1977, VENEZUELA IMPORTED NEARLY 3000 HEAVY TRUCKS &  
SPECIAL PURPOSE VEHICLES BUT A SIGNIFICANT PROPORTION OF THE DEMAND  
FOR IMPORTED VEHICLES CAN BE MET BY LOCAL ASSEMBLERS. PASSENGER  
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CAR IMPORTS OF 13,000 UNITS, PICKUP TRUCK IMPORTS OF 5,000 UNITS,  
AND MINBUS (VANS FOR NINE-THIRTEEN PASSENGERS)  
IMPORTS OF 5,000 UNITS CAN BE ABSORBED RELATIVELY EASILY  
BY THE LOCAL ASSEMBLERS BY ADDING WORKERS OR ADDITIONAL SHIFTS.  
IN FACT, SUCH IMPORTS WERE ALLOWED BY THE LICENSE-ISSUING MINISTRY  
OF DEVELOPMENT IN THE PAST WHEN LOCAL ASSEMBLERS COULD NOT COMPLY  
WITH (PERHPAS INTENTIONAL) SHORT-TERM DELIVERY REQUIREMENTS

FOR LARGE PURCHASE LOTS OF VEHICLES (FOREIGN-MANUFACTURED VEHICLES ARE ESTEEMED IN VENEZUELA BECAUSE OF THEIR SUPPOSEDLY HIGHER STANDARDS OF QUALITY).

4. THE DECREE PROHIBITING VEHICLE IMPORTS IS PERCEIVED BY INDUSTRY SOURCES TO BE DIRECTED AGAINST IMPORTS OF PASSENGER VEHICLES AND LOCALLY PRODUCED TRUCKS THAT CAN BE SUPPLIED (WITH FUNCTIONALLY EQUIVALENT MODELS) BY THE LOCAL INDUSTRY, AND AGAINST THE RECENT FLOOD OF IMPORTED RECREATIONAL VEHICLES. MINISTER OF DEVELOPMENT ALVAREZ DOMINQUEZ REPORTEDLY HAS INDICATED IN A SUBSEQUENT CLARIFICATION OF HIS ORIGINAL ANNOUNCEMENT THAT COMMERCIAL AND INDUSTRIAL VEHICLES NOT PRODUCED IN VENEZUELA WILL CONTINUE TO BE AVAILABLE TO LOCAL USERS, THROUGH THE SELECTIVE GRANTING OF IMPORT LICENSES.

5. THE EMBASSY CALCULATES THAT THE NEW REGULATIONS WILL RESULT IN THE SUBSTITUTION OF APPROXIMATELY 23,000 LOCALLY PRODUCED VEHICLES (WITH AVERAGE 50 PERCENT LOCAL CONTENT) FOR IMPORTED UNITS. THIS COULD WELL MEAN A NET FOREIGN EXCHANGE SAVING OF \$110 MILLION PER YEAR. (EQUIVALENT TO 1.4 PERCENT OF 1977 IMPORTS). FROM THE VENEZUELAN PERSPECTIVE, THIS BENEFIT, PLUS EMPLOYMENT FOR ADDITIONAL WORKERS IN THE AUTOMOTIVE INDUSTRY MAKES SOUND ECONOMIC AND POLITICAL SENSE, AND THE MEASURES SEEMS LIKELY TO BE A FORERUNNER OF SIMILAR ACTION IN OTHER AREAS TO MINIMIZE THE CONCERNS OF VENEZUELA AND ITS POTENTIAL CREDITORS OVER GROWING SHADOW ON VENEZUELA'S BALANCE OF LIMITED OFFICIAL USE

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PAYMENTS.  
VAKY

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NNN

## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IMPORTS  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
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**Disposition Reason:**  
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**Review Markings:**  
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